

BRANCH DISTRICT LIBRARY
FINANCIAL STATEMENTS
DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BRANCH DISTRICT LIBRARY	County BRANCH
Audit Date 12/31/04	Opinion Date 2/1/05	Date Accountant Report Submitted to State: 2/11/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Forms for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

RUMSEY & WATKINS, P.C.

Street Address

20 TIBBITS PLAZA

City

COLDWATER

State

MI

ZIP

49036

Accountant Signature

Rumsey & Watkins, P.C.

Date

2/11/05

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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February 1, 2005

To the Members of the Branch
District Library Board
Branch County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of each major fund of the Branch District Library as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Branch District Library as of December 31, 2004 or the changes in its financial position for the year then ended.

To the Members of the Branch
District Library Board
Branch County, Michigan

February 1, 2005

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Branch District Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note A, the Township has implemented portions of a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and related statements, as of January 1, 2004.


RUMSEY & WATKINS, P.C.

BRANCH DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2004

ASSETS

	General Fund	Special Revenue Trust Fund
Cash	\$ 121,432	\$ 133,693
Investments	254,211	-
Due from County	41,144	-
Due from City of Coldwater	3,334	-
Restricted assets:		
Cash	-	11,932
Investments	-	-
Total assets	<u>\$ 420,121</u>	<u>\$ 145,625</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 11,806	\$ -
Accrued expenses	14,322	-
Deferred revenue	35,161	-
Total liabilities	<u>61,289</u>	<u>-</u>

FUND BALANCE

Reserved	-	-
Designated	-	11,932
Undesignated	358,832	133,693
Total fund balance	<u>358,832</u>	<u>145,625</u>
Total liabilities and fund balance	<u>\$ 420,121</u>	<u>\$ 145,625</u>

See accompanying notes to financial statements

Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
\$ 139,096	\$ -	\$ 394,221
-	-	254,211
-	-	41,144
-	-	3,334
-	52,000	63,932
-	90,134	90,134
<u>\$ 139,096</u>	<u>\$ 142,134</u>	<u>\$ 846,976</u>

\$ 960	\$ -	\$ 12,766
-	-	14,322
4,143	-	39,304
<u>5,103</u>	<u>-</u>	<u>66,392</u>

-	142,134	142,134
133,993	-	145,925
-	-	492,525
<u>133,993</u>	<u>142,134</u>	<u>780,584</u>
<u>\$ 139,096</u>	<u>\$ 142,134</u>	<u>\$ 846,976</u>

BRANCH DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Special Revenue Trust Fund
REVENUES		
Taxes	\$ 544,068	\$ -
State aid	51,835	-
Charges for services	18,370	-
Penal fines	274,034	-
Interest earned	6,725	3,079
Donations	-	11,202
Reimbursements	34,870	-
Other revenue	9,815	-
Total revenues	939,717	14,281
EXPENDITURES		
Cultural	923,172	4,833
Capital outlay	-	-
Total expenditures	923,172	4,833
Excess of revenues over expenditures	16,545	9,448
OTHER SOURCES (USES)		
Transfers from (to) other funds	2,000	-
Excess of revenues and other sources over expenditures and other uses	18,545	9,448
FUND BALANCE - BEGINNING	340,287	136,177
FUND BALANCE - ENDING	\$ 358,832	\$ 145,625

See accompanying notes to financial statements

Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
\$ 88,872	\$ -	\$ 632,940
-	-	51,835
-	-	18,370
-	-	274,034
1,455	-	11,259
-	-	11,202
-	-	34,870
335	-	10,150
<u>90,662</u>	<u>-</u>	<u>1,044,660</u>
-	-	928,005
59,803	-	59,803
<u>59,803</u>	<u>-</u>	<u>987,808</u>
30,859	-	56,852
<u>(2,000)</u>	<u>-</u>	<u>-</u>
28,859	-	56,852
<u>105,134</u>	<u>142,134</u>	<u>723,732</u>
<u>\$ 133,993</u>	<u>\$ 142,134</u>	<u>\$ 780,584</u>

BRANCH DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Branch District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

REPORTING ENTITY:

The Library was formed during 1991 under P.A. 24 and began operations as a separate entity on January 1, 1992. Previously, the Library was a component unit of the County of Branch. The Library operates under an appointed board of seven members and provides library services to the residents of Branch County. The general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these general purpose financial statements.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments are recorded when payment is due.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Library reports the following governmental funds:

General Fund is the operating fund of the Library. It is used to account for all the Library's financial resources not required to be accounted for in another fund.

Special Revenue Trust Fund is used to account for donations received and expended for Library purposes.

Capital Projects Fund is used to account for the portion of the millage designated each year by the Board to be expended for capital outlay.

Permanent Trust Fund is used to account for assets held by the Library in a trustee capacity for donations. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the donor.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average.

Capital Assets - The Library implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Library is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Library did not present the government-wide financial statements, the governmental activities capital assets are not reported within the Library's financial statements as of December 31, 2004.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS - Continued

Compensated Absences - As of December 31, 2004, the Library was liable for compensated absences of unused vacation and sick pay for \$47,200. Vacation and sick pay is earned, accumulated and paid on termination based upon the personnel policies governing the various employees.

The Library implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Library is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Library did not present the government-wide financial statements, the governmental activities long-term obligation of \$47,200 is not reported within the Library's financial statements as of December 31, 2004.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS - Continued

Accounting Change - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Library has implemented portions of GASB 34.

However, the Library did not present government-wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Library's activities. These statements would present the Library's governmental activities. In addition, the Library did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Library's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although not required to be a part of, the basic financial statements

Because of the effects of the matter discussed in the preceding paragraphs, the Library's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Branch District Library as of December 31, 2004 or the changes in its financial position for the year then ended.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS - Continued

BASIS OF BUDGETING:

The annual Library budgets are adopted based on the modified accrual method of accounting. Expenditures are estimated on the line item basis, but approved on a functional basis. The Library did not include a beginning fund balance within the approved budget. The budget can only be amended by the Board. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. No revisions to the budgets were made during the year.

In the other supplemental information, the Library has provided line item detail for the General Fund for informational purposes only.

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

USE OF ESTIMATES:

The Library uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Library has designated financial institutions for the deposit of Library funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable rates. The certificates of deposit are currently earning interest at a rate of 1.7%.

Investments consist of certificates of deposit with an original maturity date of six months. The investments are carried at cost which approximates market value.

At December 31, 2004, the carrying amount of the Library's deposits were \$802,498 and the bank balance was \$836,404. The differences between the balances are the result of checks issued by the Library, but not yet presented for payment and deposits not yet reflected by the bank. The risk exposure of the bank balance at December 31, 2004 is as follows:

Insured	\$ 200,000
Uninsured	636,404
	<hr/>
Total cash, investments, restricted cash and restricted investments	\$ 836,404
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BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE C - DUE FROM COUNTY

As of December 31, 2004, the Library has amounts due from the County of Branch in the amount of \$41,144 for penal fines.

NOTE D - RESERVED AND DESIGNATED FUND BALANCE

Reserved and designated fund balances, as of December 31, 2004, are as follows:

Reserved:

Permanent Fund Trust Fund:	
M. Semmelroth Memorial	\$ 50,000
E. Dallen Memorial	2,000
G. Barnett Memorial	90,134
	<hr/>
Total reserved fund balance	\$ 142,134

Designated:

Special Revenue Trust Fund:	
E. Dallen Memorial	\$ 562
R. Fisher Memorial	2,991
G. Barnett Memorial	1,419
Bronson operations	6,960
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Total Special Revenue Trust Fund	11,932
Capital Projects Fund:	
Capital outlay	133,993
	<hr/>
Total designated fund balance	\$ 145,925

NOTE E - TAXES

The Library's property taxes are levied each December 1. Taxes are collected by the local governmental units within Branch County and are remitted to County of Branch, which in turn remits them to the Library.

The 2004 tax rate was .6164 of a mill.

Personal property taxes are accounted for as revenue as received, therefore, no provision for uncollectible personal property taxes has been made in these financial statements.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS - Continued FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE F - LEASE AGREEMENT

The Library leases its facilities from the City of Coldwater. The initial term of the lease is for twenty-five years, with rent in the amount of \$1 per year.

NOTE G - DEFERRED COMPENSATION PLANS

The Library offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to the employees until termination, retirement, death or unforeseeable emergency.

The Library funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments approved by the plan's committee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, held in trust for the exclusive benefit of the participating employees and are not assessable by the Library or its creditors.

The Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Library has established a Money Purchase Plan for the Library Director. The plan calls for contributions on the Director's behalf and contains no requirements for matching contributions from the participant. The Library contribution for the year ended December 31, 2004 amounted to \$3,000 and is recorded in the General Fund.

NOTE H - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Library has purchased commercial insurance for the coverage of the above discussed events.

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Taxes	\$ 555,065	\$ 555,065	\$ 544,068
State aid	61,500	61,500	51,835
Charges for services	24,500	24,500	18,370
Penal fines	244,500	244,500	274,034
Interest earned	8,000	8,000	6,725
Reimbursements	47,900	47,900	34,870
Other revenue	-	-	9,815
Total revenues	941,465	941,465	939,717
EXPENDITURES			
Cultural	967,272	967,272	923,172
Excess (deficiency) of revenues over expenditures	(25,807)	(25,807)	16,545
OTHER SOURCES			
Transfer from other funds	42,000	42,000	2,000
Excess of revenues and other sources over expenditures	16,193	16,193	18,545
FUND BALANCE - BEGINNING	-	-	340,287
FUND BALANCE - ENDING	\$ 16,193	\$ 16,193	\$ 358,832

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Interest	\$ -	\$ -	\$ 3,079
Donations	-	-	11,202
Total revenues	-	-	14,281
EXPENDITURES			
Cultural	-	-	4,833
Excess of revenues over expenditures	-	-	9,448
FUND BALANCE - BEGINNING	-	-	136,177
FUND BALANCE - ENDING	\$ -	\$ -	\$ 145,625

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Taxes	\$ 89,677	\$ 89,677	\$ 88,872
Interest earned	-	-	1,455
Other revenue	-	-	335
Total revenues	89,677	89,677	90,662
EXPENDITURES			
Capital outlay	89,669	89,669	59,803
Excess of revenues over expenditures	8	8	30,859
OTHER SOURCES (USES)			
Transfers to other funds	-	-	(2,000)
Excess of revenues over expenditures and other uses	8	8	28,859
FUND BALANCE - BEGINNING	-	-	105,134
FUND BALANCE - ENDING	\$ 8	\$ 8	\$ 133,993

BRANCH DISTRICT LIBRARY
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 PERMANENT TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual
	Original	Final	
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Cultural	-	-	-
Excess of revenues over expenditures	-	-	-
FUND BALANCE - BEGINNING	-	-	142,134
FUND BALANCE - ENDING	\$ -	\$ -	\$ 142,134

BRANCH DISTRICT LIBRARY
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2004

LIBRARY	Budget	Actual	Over (Under) Budget
Salaries	\$ 515,900	\$ 516,332	\$ 432
Payroll taxes	38,472	39,590	1,118
Unemployment	-	1,431	1,431
Workers' compensation	1,700	4,286	2,586
Longevity	2,000	-	(2,000)
Deferred compensation	4,000	3,000	(1,000)
Board per diem	3,300	2,375	(925)
Hospitalization	55,000	44,183	(10,817)
Employee relations	300	494	194
Contracted services	19,800	20,654	854
Training	3,000	1,291	(1,709)
Facilities rent	2,000	2,000	-
Telephone	9,500	7,931	(1,569)
Utilities	33,000	39,050	6,050
Insurance	12,000	11,425	(575)
Maintenance	42,500	37,736	(4,764)
Equipment maintenance	15,000	5,944	(9,056)
Network maintenance	23,000	21,191	(1,809)
Janitorial supplies	500	132	(368)
Operating supplies	10,000	11,318	1,318
Office supplies	10,000	9,414	(586)
Postage	3,000	3,096	96
Books	88,700	89,964	1,264
Periodicals	6,000	5,934	(66)
Audio/visual	11,500	11,608	108
Membership and dues	1,000	1,334	334
Transportation	7,500	6,594	(906)
Community promotions	-	2,559	2,559
Programming	5,200	-	(5,200)
Printing and publishing	1,400	290	(1,110)
Professional services	27,000	21,427	(5,573)
Correction of prior years' taxes	-	589	589
Capital outlay	15,000	-	(15,000)
Total Library expenditures	<u>\$ 967,272</u>	<u>\$ 923,172</u>	<u>\$ (44,100)</u>

Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

20 Tibbits Plaza • Coldwater, Michigan 49036
Phone (517) 279-7931 • FAX (517) 278-7087

February 1, 2005

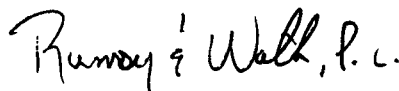
To Members of the Branch
District Library Board
Branch County, Michigan

During our audit as of and for the year ended December 31, 2004, we noted the following item, which we would like to comment on further:

CAPITALIZATION POLICY

Currently, the Library records various small dollar expenditures within the Capital Outlay Fund. We would recommend a formal policy be adopted by the Board regarding which assets will be considered as a capital asset. The policy should consider both the dollar amount and estimated life of the asset. In regards to dollar amounts, a minimum threshold used by many entities is \$500; however, this also depends on the total dollars expended by the entity. In regards to the estimated lives, the asset must have a life of greater than one year in order to even consider being a capital asset.

After reviewing this letter, we would be glad to discuss any of these matters further with you and assist in the implementation.



RUMSEY & WATKINS, P.C.